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TO RUEHC/SECSTATE WASHDC IMMEDIATE 9995  
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY  
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RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L JERUSALEM 002546

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NEA FOR FRONT OFFICE; NEA/IPA FOR  
SHAMPAIN/ BELGRADE/ STEINGER; NSC FOR ABRAMS/ PASCUAL;  
TREASURY FOR SZUBIN/ GRANT/ HARRIS/ NUGENT/ HIRSON

E.O. 12958: DECL: 12/12/17  
TAGS: ECON EFIN KFTN KWBG IS

SUBJECT: PALESTINE MONETARY AUTHORITY TAKES CONTROL OF  
PALESTINE ISLAMIC BANK

REF: JERUSALEM 2206

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

¶1. (C) Palestine Monetary Authority (PMA) Acting Governor Jihad al-Wazir told Econoff December 4 that the PMA has taken control of the Palestine Islamic Bank (PIB). (Note: PIB has long been under scrutiny for reported ties to Hamas. End note.) Al-Wazir said he will serve as PIB's chairman for the next six months and has already dismissed the bank's board of directors and fired its general manager. The formation of a new board will "take the sheikhs out" of bank management, according to al-Wazir.

¶2. (C) Al-Wazir noted that a PMA team is now in place at PIB's headquarters in Gaza reviewing all aspects of the bank's operations. Initial reports indicate poor accounting, a disregard for standard banking procedures, inadequate equipment and software, and general mismanagement of funds. Al-Wazir estimates PIB assets at USD 10 million, but claims there are no means to evaluate accurately the bank's profitability. He alleged that the former board members and general manager were all involved in extending inappropriate loans. He described the PIB as "a mismanaged trust fund." He expects the reorganization of the bank to be completed by March 2008, before which he will send a report to President Abbas on the PMA's findings.

WALLES